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FISCAL IMPACT STATEMENT

LS 7487

BILL NUMBER: HB 1657

NOTE PREPARED: Jan 21, 2005

BILL AMENDED:

SUBJECT: Random Drug Testing of Welfare Recipients and Applicants.

FIRST AUTHOR: Rep. Lehe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Division of Family and Children (DFC) and township trustees to develop a drug testing program for applicants and recipients of nonmedical assistance from the federal Temporary Assistance for Needy Families (TANF) program, a county Office of Family and Children, or a township trustee.

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill would require random drug testing of all TANF applicants and recipients. The bill requires a testing program be developed and implemented as a condition of application or receipt of benefits. A person testing positive would be required to participate in drug abuse assessment and to comply with a drug abuse treatment plan. A urinalysis test would be used, unless there was a positive result, and then a more specific test would be required to confirm the results.

An applicant who refused to submit to drug testing would no longer be eligible for nonmedical benefits. A recipient who refuses to submit to random drug testing would receive reduced benefits for four months (to be determined by DFC) and then be denied benefits after that time if they continue to refuse to be tested. The bill establishes an age cap of age 65. Individuals over the age of 65 are exempt from the provisions of the bill. All other individuals applying for or receiving benefits, including children, are to be included in the population that must be tested if randomly selected.

There are 92 county Offices of Family and Children in the state. As of November 2004, the total number of Indiana TANF recipients statewide was 129,909. The number of applicants for TANF and other nonmedical assistance in the county offices is unknown. The number of individuals that would be tested under the

provisions of this bill would be dependent upon the development of the testing program developed by the Division. The program is required to randomly select the individuals to be tested; the number of individuals selected would be determined by the Division. Consequently, the fiscal impact of this bill is indeterminate and dependent on administrative action.

As an example, however, if 10% of the recipient population were tested with 10% testing positive, testing costs are estimated to total approximately \$539,085 with about \$3.3 M for assessment and treatment. Some of the assessment and treatment costs could probably be paid through the Medicaid program with associated reimbursement from the federal government.

Background on the Testing Program: The testing provision of the bill is similar to a Michigan law which resulted in a six-week pilot program. The pilot was interrupted by intervening legal action. The law has since been ruled unconstitutional by the Sixth Circuit Court of Appeals. During the Michigan pilot, 435 people were tested and 45 (10%) tested positive. Thirty-eight (84%) of the tests were positive for marijuana.

Michigan used an existing contract for drug testing state employees to test TANF recipients and applicants. The drug testing cost was \$41.40 per individual in Michigan. Assessment and treatment services were provided by the Michigan Department of Community Health with TANF funds potentially set aside for these services.

The number of Indiana TANF recipients was 129,909 as of November 2004. If it is assumed that caseloads would remain at the November 2004 level, and the random testing program in Indiana tested a minimum of 10% of the recipients, or 12,990, the testing would cost \$539,085, assuming the cost per test to be \$41.50. There are no data to indicate how many people apply for TANF or other assistance each year, but the applicant population would be assumed to increase the number of individuals to be tested. If, as in Michigan, 10% of the individuals tested require assessment and treatment, or 1,300, and costs are approximately \$2,500 for each individual, it is estimated that Indiana would spend \$3.3 M for assessment and treatment. The deterrence effect of randomly requiring drug testing on the number of applicants for assistance is unknown. Some portion of the *assessment and treatment* cost that would be attributable to TANF recipients (also eligible for Medicaid) would be Medicaid reimbursable. If all persons that receive assessment and treatment were Medicaid eligible, the state share of the expense would be about \$1.25 M. The assessment and treatment costs actually realized will depend on the number of TANF recipients who choose to undergo the assessment and treatment in order to continue in the TANF Program.

The Office of Medicaid Policy and Planning reports, however, that routine drug *screening* would not meet the Medicaid definition of medical necessity and would not be eligible for Medicaid reimbursement. Some other source of funding would be necessary to provide the dollars for the initial screening cost. Michigan allocated TANF block grant funds for this purpose. Indiana Medicaid provides outpatient counseling services only. With the exception of inpatient detoxification, no inpatient drug abuse treatment is reimbursed. This bill would require funds to be allocated from the TANF program or elsewhere to provide funding for costs of drug screening and, potentially, for drug treatment services for applicants who do not subsequently qualify for the TANF program.

TANF Expenditure Reduction: The bill is assumed to not affect a dependent child's eligibility for assistance under the TANF program. The DFC is to develop a method for determining a percentage loss in assistance each month for up to four months that the individual refuses to submit to the drug test. After four months of refusal to submit to the testing, the individual is to be denied benefits. As a result, the state would experience a decrease in expenditures in the amount of \$58.50 each month, or some percentage thereof, for each individual

who refuses to be tested or who fails a test.

Background Information on the TANF Program: The TANF program is cost-shared with the federal government. The capped federal contribution is provided to the state through a block grant of about \$206 M annually. States are required to meet a specified maintenance-of-effort level in order to qualify for the block grant. Indiana's annual TANF MOE obligation is approximately \$121 M.

Explanation of State Revenues: Expenditures in the Medicaid program are shared, with approximately 62% of the program expenditures reimbursed by the federal government and 38% provided by the state.

Explanation of Local Expenditures: Township trustees are also required to establish and implement a random drug abuse testing program for applicants and recipients of nonmedical township assistance. Recipients over the age of 65 are exempt from this requirement. There are 1,008 township trustees in the state. The number of Township Assistance recipients in the various townships for CY 2003 was approximately 150,000. The number of applicants for Township Assistance is unknown. The number of individuals that would be tested under the provisions of this bill would be dependent upon the development of the testing program developed by each trustee. The program is required to randomly select the individuals to be tested; the number of individuals selected would be determined by the trustee. Consequently, the fiscal impact of this provision is indeterminate and subject to administrative action.

The trustees are also required to provide drug abuse assessment and treatment plans for any person testing positive under this program. While trustees may locate other sources of payment for these services, such as local not-for-profit agencies or state programs, the development and implementation of the random drug testing program would be anticipated to reduce the amount of actual assistance dollars available for Township Assistance. The deterrence effect, if any, of the drug testing provision on the number of applications for Township Assistance is unknown. (See *Explanation of State Expenditures*.)

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Division of Family and Children, and local Offices of Family and Children.

Local Agencies Affected: Township Trustees.

Information Sources: Sample size calculator at <http://calculators.stat.ucla.edu/sampsize.php>

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